

Pakistan's Covert Cartels

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With economic, food and energy crises looming, criticism can be the most convenient past time. Such situations however, are also the litmus test for patriotism, given that a true commitment to the country warrants a look into the present and past for an objective empirical analysis only to develop insights for future planning and action. It is in an attempt to do the latter, that a viewpoint is offered.

Crises illicit a knee jerk reaction to trouble shoot and inadvertently lead to fleeting short term solutions; however, it is equally important to explore their causal determinants for long term sustainable action.

Let's take the wheat crisis as a case in point, a crisis that affects the common man directly as opposed to many other crises in the spotlight, that don't. After a careful evaluation, it becomes evident that the crisis is just the tip of the iceberg and that its manifestations, price hike and shortages, are an indication of deep-seated systemic issues, just as fever indicates infection or unexplained rains herald climate change trends. These systemic problems encompass all shades of mal-governance from inefficiency and ineptitude to blatant corruption. What the wheat crisis simply denotes is the seamless capacity of vested interest groups to hoard and smuggle in an environment where state institutions have very little capacity to enforce compliance with stipulations, check the alleged industry-cartel collusion and ensure the intended movement of commodities. It also illustrates hallmarks of a system where there is limited accountability of public officials either for not taking preemptive timely decisions that can help avert such crises by checkmating cartel activity or paradoxically for decisions that favor vested interest groups. It also spotlights institutionalized collusion between

the private and the public sectors at various levels.

These malpractices help to further strengthen Pakistan's growing informal and black economies, which thrive on smuggling, trafficking and a range of financial crimes. The money generated from the wheat crisis is just a paltry contribution.

When evidence from the wheat crisis is triangulated with lessons learnt from other ongoing crises, the existence of a triad is clearly evident: weak governance structures, a thriving black market and a legacy of patronage. This nexus breeds and promotes a form of governance where systemic manipulation is fast becoming the norm. In such an environment, state capture by vested interest groups becomes a real threat and the undue influence to shape state policies, laws and regulations can divert resources to the resourceful. In addition, misuse of authority can be augmented with resulting preferential treatment to well connected individuals and collusion in public procurements. Such environments also promote tolerance to circumventing procedures to settle police cases, change land documents, evade tax and get permissions and licenses – processes where transparency is critical. As this triad gets firmly ingrained, there is a danger that political links are furthered by patronage. The resulting outcomes can be devastating in the long term; state resources get channeled to the well connected, the rich poor divide is augmented, institutions lose their leverage to target services and subsidies to those in need, governance becomes exploitable and reforms are held hostage.

It is tragic to coin this as a description for a 'system' that can boast of many 'individuals' of unquestionable integrity in every sector of the country; but sadly there is evidence of these phenomena taking root in the country. We have recently seen that budgetary increases in the social sectors fail to create the desired impact because of the seamless capacity within the system to pilfer resources. We have also seen that

any systemic reform introduced to improve governance is implicitly undermined. The manner in which the interests of local elite to control resources at a district level have weakened the devolution initiative is a case in point.

As an outcome of all these malpractices, we see the emergence of a system that denies impartial and timely settlements of disputes and one that manipulates sudden dismissal and transfers of state functionaries without the benefit of impartial inquiry if they attempt to threaten it in anyway – a phenomena many upright and sidelined public servants of Pakistan have become painfully familiar with over the last 60 years.

As a nation we tend to underestimate the impending costs of the loss of professionalism, neutrality, accountability and transparency. That it can lead to plundering, pilfering and mis-targeting of resources is well appreciated; but many may not be aware of the implications of this well established pattern for weakening the social fabric, undermining the safety of our populations, risking national sovereignty and threatening peace and security.

Those of you, who are inclined to disregard this as a sweeping, emotional and overrated statement, may want to argue by referring to the lack of transparency as being a global systemic issue. Pakistan is certainly not the only country with such well institutionalized practices; but there are other country characteristics, which make us potentially vulnerable. It is important to know why that is so.

We are the sixth most populous country in the world; more than 30% of our population is below 15 years of age; with high levels of poverty and unemployment, this segment of the population becomes vulnerable to exploitation. If the state's leverage to target services, subsidies and social benefits continues to erode, capture by vested interest groups will become highly likely. The story of 'bleak youths' in this

weeks TIME magazine is telling in this regard. We must also recognize that there are many opportunities for capture. As a society, we are deeply divided on ethnic and religious grounds; as a nation, we have a unique pattern of civil conflict and violence since the cold war era; as communities, we are polarized on many sociopolitical and foreign policy positions. In this environment, there are well established patterns of exploitation. If governments cannot be the efficient and honest redistributive hand, the current exploitation will further deepen and is likely to be further worsened by the impending impact of the global and regional food and energy crises.

The government, therefore cannot afford to disregard the issue of malgovernance and corruption; however, while doing so they must refrain from what has been the convention in the past – fleeting coercive action and using corruption as a tool for political exploitation; neither of these approaches are useful for sustained meaningful action and undermine the credibility of reform.

An anti corruption reform is a huge agenda but if seven things need to be done, they could be grouped into the following categories: first, planning strategically and reviving the dormant National Anti Corruption Strategy. Secondly, ensuring that Pakistan's key accountability institutions for public redressal, oversight and investigative work are impartial and depoliticized. Thirdly, prioritizing integrity promoting measures in the establishment through a combination of merit based action and incentivization. Fourth, promoting market harnessing means of regulation and fostering competition to weaken economic interest. Fifth, focusing on disclosure and conflict of interest in civic action, judiciary and political party finance. Sixth, rooting out arbitrariness, the unchecked powers of discretion and unevenness in the application of policies in state institutions; and seventh, a move towards mainstreaming technology into governance, so that leakages are

tracked and public procurements are made transparent.

Governments must recognize that corruption cannot be rooted out in a big sweep and that governance cannot be effective overnight. Governments must proceed incrementally and remain non-confrontational and apolitical. The key is to safeguard against capture and foster transparency in regulation, oversight and management of resources through joint action between the government, civil society and the private sector. All of us must play a part to reform a system of which we are a part. However the ultimate onus of responsibility lies with the government.

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